

DIRECT TESTIMONY

of

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Illinois Commerce Commission

Illinois-American Water Company

Proposed general increase in water and sewer rates

Docket No. 09-0319

September 28, 2009

Table of Contents

Rate Design – Overview	3
Bill Impacts – Overview	8
 Lincoln District	9
Rates and Rate Design	9
Bill Impacts	12
 Pekin District	16
Rates and Rate Design	16
Bill Impacts	19
 Chicago Metro Water District	22
Rates and Rate Design	23
Bill Impacts	26
 Chicago Metro Sewer District	31
Rates and Rate Design	31
Bill Impacts	34
 Fire Protection Charges	37
Public	38
Private	39
 Miscellaneous charges	41
 Language Changes	44

1 **Q. Please state your name and business address.**

2 A. My name is Philip Rukosuev, and my business address is 527 E. Capitol Avenue,
3 Springfield, Illinois 62701.

4
5 **Q. By whom are you employed and in what capacity?**

6 A. I am currently employed by the Illinois Commerce Commission ("ICC" or
7 "Commission") as a Rates Analyst in the Rates Department of the Financial
8 Analysis Division. My responsibilities include rate design and cost of service
9 analyses for electric, gas, water and sewer utilities and the preparation of
10 testimony on rates and rate related matters.

11
12 **Q. How long have you been employed by the Commission?**

13 A. I have been employed by the Commission since September of 2008.

14
15 **Q. Please discuss your educational and professional background.**

16 A. I received a B.A. in Economics/Business Administration from the University of
17 Illinois at Springfield in May of 2007. I was previously employed by the Illinois
18 Manufacturing Association as a Management Intern and by the Department of
19 Healthcare and Family Services Weather Assistance Division as a Fiscal Intern.

20
21 **Q. Have you previously testified before the Commission or any other**
22 **regulatory bodies?**

23 A. Yes, I have testified on several occasions before the Commission.

24

25 **Q. What is the purpose of your direct testimony?**

26 A. The purpose of my testimony is to address Illinois-American Water Company's
27 ("IAWC" or the "Company") filing for a general increase in rates. I will be
28 presenting testimony concerning rate design issues for IAWC's Lincoln, Pekin
29 and Chicago Metro Water and Sewer rate areas. I will also discuss the
30 residential single block rate structure, miscellaneous charges and uniformity of
31 those charges across all the IAWC districts, fire protection charges and language
32 changes.

33

34 **Q. Are you familiar with the petition, testimony and exhibits presented by**
35 **IAWC?**

36 A. Yes, I have reviewed the testimony of Company witnesses Paul R. Herbert
37 (IAWC Ex. 9.00) and Edward J. Grubb (IAWC Ex. 5.00).

38

39 **Q. Are you sponsoring any schedules or attachments with your testimony?**

40 A. No, I am not.

41

42 **Q. Are you addressing the Company's updated cost of service studies**
43 **("COSS")?**

44 A. No, I am not. The updated cost of service studies are being addressed by Staff
45 witness Lazare (Staff Ex. 6.0).

46

RATE DESIGN – OVERVIEW

Q. Has IAWC proposed a set of rates for retail customers in the Lincoln, Pekin, Chicago Metro Water and Chicago Metro Sewer rate areas?

A. Yes. The Company proposed an increase in existing rates based on an updated COSS to recover its proposed revenue requirements in these rate areas. The proposed changes include changes to rate design, charges for all customers in all service classification, and other miscellaneous charges.

Q. What level of increases does the Company propose for the Lincoln, Pekin and Chicago Metro Districts?

A. IAWC proposes that Lincoln, Pekin, Chicago Metro Water and Chicago Metro Sewer receive rate increases of 35.59%, 30.90%, 25.54% and 24.29%, respectively. (IAWC Ex. 1.00, p. 11)

Q. Please describe the Company's present rate structure and the changes proposed for the Lincoln, Pekin and Chicago Metro Districts.

A. According to Mr. Herbert (IAWC Ex. 9.0, p. 3):

In its direct evidence in Docket 08-0463, the Company proposed rates based on the revenue requirements authorized by the Commission in its Docket 07-0507 order. The Company also addressed the rate design matters referenced by the Commission in the Docket 07-0507 Order and made related rate design proposals... In this case, for each of IAWC's rate areas, I have prepared an update of the cost allocation studies that were submitted in Docket 08-0463 (which were based on the revenue requirements approved in Docket 07-0507) to reflect the revenue

requirements proposed in this case ("Proposed Revenue Requirement").

Therefore, based on an update of the cost of service studies, the Company proposes an increase on existing rates to recover its proposed revenue requirement.

Q. Please describe the rate design alternatives as proposed by the Company.

A. The Company has considered the following rate design alternatives:

Alternative 1 (IAWC Ex. 9.05)	Alternative 1A (IAWC Ex. 9.06)	Alternative 2 (IAWC Ex. 9.07)	Alternative 3 (IAWC Ex. 9.08)	Alternative 3A (IAWC Ex. 9.09)
Rates based on COSS, with revised customer charges and declining block	Similar to Alt. 1 but with single block structure for residential.	Similar to Alt. 1 but with inclining block structure.	Similar to Alt. 1A, with the inclusion of minimum system costs in fixed customer charge.	Similar to Alt. 3, but combines Zone 1 and Champaign.

Company witness Herbert indicates that the Company is proposing the rate design parameters under Alternative 3A to be adopted in this rate case. The key features of this alternative are: Moving Champaign into Zone 1, uniform customer charges, block structures and usage charges have been implemented in Zone 1 (with an exception of 5/8-inch customer charges for Champaign and South Beloit), moving additional fixed costs into the customer charge, adoption of a one-block rate structure for the residential class, and retention of the declining block structure for the non-residential class. (IAWC Ex. 9.00, p. 21)

94

95 **Q. What rate design issues are you discussing?**

96 A. I am addressing the single block structure for residential customers and the
97 declining block structure for non-residential customers as proposed by the
98 Company in rate design Alternative 3A. In addition, I will address bill impacts
99 analysis, public and private fire protection charges.

100

101 **Q. Please explain the issues relating to the single and declining block**
102 **structures.**

103 A. The Company is proposing a one-block rate structure for the residential class in
104 all rate areas including Zone 1, which the Company believes better reflects the
105 cost of service for the residential customer class. Therefore, a high usage
106 customer would not be subject to lower usage rates under a second block.
107 The advantage of having a single block rate for residential usage, the Company
108 believes, is that this would essentially discourage excessive residential lawn
109 irrigation and mitigate summer peak demand. As Mr. Herbert explained:

110 Large usage residential customers are likely using water for
111 discretionary purposes such as watering lawns or other
112 outdoor use. This class of customers has a poor load factor
113 and uses water at times of high peak demands when
114 supplies may be near capacity. Such usage should not be
115 priced at a lower block rate than small users that use water
116 for basic needs. With a single block structure, all residential
117 usage is priced at the same rate.

118

119 (IAWC Ex. 9.00, p. 16)

120

121 **Q. Will non-residential customers be subject to a one-block rate structure**
122 **under the Company's proposal?**

123 A. No. For this group of customers, the Company is proposing to maintain a
124 declining block structure, which appropriately reflects cost of service. As stated
125 by Mr. Herbert:

126 For non-residential customers, a declining block rate
127 structure reflects that larger customers generally have better
128 load factors and such usage can be appropriately priced at a
129 lower rate. This is why the declining block structure was
130 retained for non-residential customers.

131
132 (IAWC Ex. 9.00, p. 16)

133 Non-residential users, who are large water users, usually have favorable cost of
134 service characteristics that justify a declining block structure. For example, "for
135 large water users, system costs decline with increasing water usage." (American
136 Water Works Association: Manual of Water Supply Practices. Principles of Water
137 Rates, Fees, and Charges.) The average cost to serve such customers falls as
138 their usage is more evenly distributed throughout the year. In addition, Mr.
139 Herbert explained:

140 [A] declining block rate structure is not designed to provide
141 quantity discounts or lower rates simply because water is
142 sold in large volumes. The declining block rate structure
143 offers a mechanism to recover cost differences based on
144 class water use and demand characteristics in a fair and
145 equitable manner.

146
147 (Id.)

148

149 **Q. How did the Company calculate the single block rate for residential**
150 **customers?**

151 A. The single block rate was determined for residential customers, as stated by Mr.
152 Herbert, in the following manner:

153 I divided the total residential consumption related revenue in
154 Alternative 1 by the total residential consumption in each
155 district. This is the average consumption rate for the
156 residential class. When this average rate is applied to all rate
157 blocks in Alternative 1 (or to the total usage), it produces the
158 same level of revenue for the residential class.

159
160 (IAWC Ex. 9.00, pp. 15-16)
161

162 **Q. Do you find the Company's proposals reasonable?**

163 A. Yes, I consider a one-block structure for residential customers and a declining
164 block structure for non-residential customers to be reasonable. I believe that a
165 single block rate structure would better reflect the residential class' COSS since
166 that class has a poor load factor.¹ In addition, a single block structure would
167 provide simplicity, that is, a less complex rate structure that can be easily
168 understood by customers and provide an incentive to conserve water through a
169 usage-based price signal. For the Company, a single block structure would
170 provide a sense of predictability and more stability in revenues.

171
172 In addition, as stated earlier, since non-residential customers have better load
173 factors (i.e., a better relationship between peak demand and average annual
174 demand), usage can be appropriately priced at a lower rate, and better reflect the
175 cost of service characteristics for that class.

¹Load factor is the ratio of average electricity consumption to the peak consumption in a business premises during a specific period. It shows whether the electricity consumption in a business is stable or has extreme peaks. The lower the load factor the more 'peaky' the loads. A very poor load factor would be less than 20%. (<http://www.rmdservice.com/guidance/glossary.htm#l>)

176

177 **Q. What do you recommend?**

178 A. For all rate areas, I recommend that the Company's proposal of a one-block rate
179 structure for the residential customer class and retention of a declining block rate
180 structure for the non-residential customers be approved.

181

182 **Q. Have you developed an alternative set of usage rates for Lincoln, Pekin,**
183 **Chicago Metro Water, and Chicago Metro Sewer?**

184 A. Not at this point. An alternative set of rates will be presented in my rebuttal
185 testimony that will recover the revenue requirement recommended by Staff.

186

187 **BILL IMPACTS - OVERVIEW**

188

189 **Q. Has the Company presented an analysis of the bill impacts associated with**
190 **its proposed rates?**

191 A. Yes. That analysis was presented in response to Staff Data Request PR 1.01.

192

193 **Q. What do the results show?**

194 A. The results indicate that the proposed increases will not be evenly distributed
195 among retail customers under the Company's proposed rates. That result is
196 logical given that the Company is proposing new rates based on cost of service,
197 as opposed to an across-the-board increase. Therefore, some classes of
198 customers will receive a monthly bill impact higher than the Company's proposed

total revenue requirement percent increase while others will receive a lower monthly bill impact than the Company's proposed total revenue requirement percent increase. A detailed discussion about the rates by rate class will be presented later in my testimony.

Q. Does the Company believe these bill impacts constitute rate shock?

A. Company witness Grubb indicated in his reply to Staff Data Request PR 1.02 that the Company does not believe that it is proposing any rate increase that constitutes rate shock. The Company recognizes that some increases may be considered significant and the Company has taken steps to mitigate the increases.

Q. Has the Company taken any measures to mitigate the increases?

A. The Company believes that Lincoln, Pekin and Chicago Metro Districts do not have increases that are deemed to be significantly greater than the overall increase in the revenue requirement. Therefore, the Company has decided that specific mitigation measures are not necessary. (IAWC Response to Staff Data Request PR 4.01)

LINCOLN DISTRICT

Rates and Rate Design

Q. Please explain the Company's rate design proposal for the Lincoln District.

- A. The following table shows a comparison of current and proposed residential and non-residential usage charges:

	Non-Residential			Residential		
	Current	Company Proposed	% Increase	Current	Company Proposed	% Increase
0 - 25 ccf	\$2.67	\$3.70	38.80%	\$2.67	\$3.70	38.80%
26 - 1,000 ccf	\$2.01	\$2.37	18.10%	\$2.01	\$3.70	84.53%
Over 1,000 ccf	\$1.45	\$1.76	21.04%	\$1.45	\$3.70	154.66%

As discussed earlier, the Company is proposing to maintain a declining block rate structure for non-residential customers and proposes a one-block rate structure for residential customers. Furthermore, the Company is proposing the following customer charges for residential (most residential customers have a 5/8 inch meter) and non-residential customers:

Meter Size	Current	Company Proposed	% Increase
5/8"	\$7.91	\$12.25	54.87%
3/4"	\$17.80	\$23.35	31.18%
1"	\$24.72	\$33.25	34.51%
1 1/2"	\$45.49	\$71.75	57.73%
2"	\$67.25	\$109.75	63.20%
3"	\$100.88	\$154.75	53.40%
4"	\$154.28	\$235.75	52.81%
6"	\$280.87	\$427.75	52.29%
8"	\$485.10	\$737.75	52.08%

- Q. Please discuss the billing determinants for the Lincoln District.

A. The Company was asked to explain the growth in future sales and billings on Schedule E-4, columns C and E, pages 156 - 159 for the Lincoln District. The Company's response to Staff Data Request PR 2.03 indicates the following:

	Increase in Sales Volumes % 12/31/08 - 12/31/09	Increase in Sales Volumes % 12/31/09 - 12/31/10
Residential	2.40%	-3.9%
Commercial	21.30%	-0.7%
Industrial	39.80%	-2.3%

According to the Company, for residential customers, 2009 sales volumes increased over 2008 partially because 2008 was a wetter and cooler year than past years. For 2010, the Company made a downward adjustment to usage of 4.1% from 2009 to reflect declining usage based upon a regression analysis of usage per customer per day. The -3.9% is a result of the 4.1% downward adjustment being offset by a small expected increase in customer growth.

For commercial customers, the Company has stated that 2009 sales volumes were higher due to 2008 being a wetter and cooler year. The Company budgeted 2009 before the economic downturn that resulted in lower 2008 usages. Therefore, for 2010, the Company made a downward adjustment of 2.5% to all commercial sales to reflect lower usage experienced in 2009. This adjustment was partially offset by a small increase in customer growth.

For industrial customers, since 2009 was budgeted before the economic downturn which resulted in lower 2008 usages, the Company made an adjustment to reflect lower usage experienced in 2009. Hence, the Company made a downward adjustment of 2.5% which was driven by the overall decrease in Illinois-American industrial sales. This adjustment was partially offset by a small increase in customer growth.

Q. Do you agree with the Company's rate design proposal for the Lincoln District?

A. Yes, I do. I agree with the Company's proposed one-block rate structure for residential customers for the reasons cited above. I also agree with maintaining a declining block structure for non-residential customers which better reflects the cost of service characteristics for that class. Finally, I agree that the billing determinants provided by the Company for the Lincoln District are thoroughly explained and are reasonable.

Q. Do you agree with the Company's proposed rates by class for the Lincoln District?

A. No, I do not. The Company is proposing charges based on its revenue requirement. My rates will be proposed in my rebuttal testimony and will be based on Staff's proposed revenue requirement.

Bill Impacts

Q. What do the results of the Company's analysis of the bill impacts show for the Lincoln District?

A. Since the Company is basing its rates on a COSS, the percentage increases for individual charges will differ and, as a result, customer classes will not receive the same percentage increases in their bills. As shown in the table below, the Company provided actual billing data for customers who represent the 1%, 20%, 50%, 80% and 100% cumulative billing frequency by class. These comparisons reflect the annual percentage bill increases that a broad range of residential customers would see under the Company's proposed rate design.

Customer Class Cumulative Billing Frequency	% Increase Residential	% Increase Commercial	% Increase Industrial
1%	54.87%	54.87%	54.87%
20%	45.58%	48.25%	43.33%
50%	42.77%	43.12%	23.75%
80%	41.31%	40.59%	21.63%
100%	67.13%	20.83%	51.59%

The results show a fairly even distribution of the Company's proposed rate increases throughout the customer classes. The rate increases for each class generally reflect the Company's overall proposed increase in the revenue requirement of 35.58%.

However, an exception, as evident above, is the 1% and 100% Customer Class Cumulative Billing Frequency. For the 1% billing frequency customer, the 54.87% increase reflects an increase of the customer charge corresponding to

zero usage. For the 100% billing frequency customer, specifically for the residential and industrial customer classes, high usage is being priced at a higher rate. Even though the non-residential customers have a declining block structure, each step is priced higher than before. Furthermore, residential customers are proposed to be charged on a single-block rate structure, and, therefore, are being charged a higher usage rate than before for all usage. It should be noted that the residential 100% Customer Class Cumulative Billing Frequency represents only about 1% - 2% of total billings.

Q. Do consider the above bill impacts to be a rate shock?

A. Even though the percentage increases are high, they are primarily driven by the overall Company proposed revenue requirement increase. Under the Company's proposed rate design, the following monthly dollar impact amounts can be expected for the broad range of customers:

Customer Class Cumulative Billing Frequency	Monthly \$ Increase Residential	Monthly \$ Increase Commercial	Monthly \$ Increase Industrial
1%	\$4.34	\$4.34	\$4.34
20%	\$8.55	\$6.49	\$12.17
50%	\$13.71	\$12.68	\$75.09
80%	\$20.94	\$63.05	\$1,536.46
100%	\$165.42	\$337.56	\$1,636.82

Although, in general, no increase in either percentage or absolute dollar terms is significantly different from the overall proposed revenue requirement increase, the 100% Customer Class Cumulative Billing Frequency – Residential, and 80%

314 - 100 % Customer Class Cumulative Billing Frequency – Industrial may
315 nevertheless experience sizeable monthly dollar impacts.

316
317 Therefore, I reserve the right to propose mitigation measures for the 100%
318 Customer Class Cumulative Billing Frequency – Residential, and 80% - 100 %
319 Customer Class Cumulative Billing Frequency – Industrial discussed above in my
320 rebuttal testimony. In this testimony, I am not proposing new rates.

321
322 In addition, it should be mentioned that base water rates, the QIP surcharge,
323 public fire charges and the municipal fees are included in the calculations of the
324 above bill impacts. However, purchased water surcharges are not included. The
325 inclusion of purchased water surcharges would cause the above mentioned bill
326 impacts to be lower. However, I do not yet have the required information (i.e.,
327 Company revised bill impact analysis that incorporates purchased water
328 surcharges) to be presented in my direct testimony. My proposed rates along
329 with the bill impacts analysis that takes into consideration all rate components
330 including the purchased water surcharges will be presented in my rebuttal
331 testimony.

332
333 **Q. Have you developed an alternative set of rates for the Lincoln District?**

334 A. No. As indicated earlier, an alternative set of rates will be presented in my
335 rebuttal testimony and will be designed to recover the revenue requirement

recommended by Staff. I will also present an analysis of the bill impacts of my rates in my rebuttal testimony.

PEKIN DISTRICT

Rates and Rate Design

Q. Please explain the Company's rate design proposal for the Pekin District.

A. The following table shows a comparison of current and proposed residential and non-residential usage charges:

	Non-Residential			Residential		
	Current	Company Proposed	% Increase	Current	Company Proposed	% Increase
0 - 25 ccf	\$1.61	\$1.91	18.14%	\$1.61	\$1.87	15.66%
26 - 1,000 ccf	\$0.68	\$0.90	32.10%	\$0.68	\$1.87	173.89%
Over 1,000 ccf	\$0.61	\$0.85	38.98%	\$0.61	\$1.87	205.10%

As discussed earlier, the Company is proposing to maintain a declining block rate structure for non-residential customers and proposes a one-block rate structure for residential customers. Furthermore the Company is proposing the following for both residential and non-residential customers:

Meter Size	Current	Company Proposed	% Increase
5/8"	\$12.74	\$17.75	39.32%
3/4"	\$15.17	\$23.35	53.92%
1"	\$24.87	\$33.25	33.70%
1 1/2"	\$55.20	\$71.75	29.98%
2"	\$85.54	\$109.75	28.30%

3"	\$164.40	\$209.75	27.59%
4"	\$273.59	\$348.75	27.47%
6"	\$540.52	\$686.75	27.05%
8"	\$862.04	\$1,094.75	27.00%

Q. Please discuss the billing determinants for the Pekin District.

A. The Company was asked to explain the growth in future sales and billings (Columns C and E) on Schedule E-4 for Pekin's District on pages 142, 143, and 145. The Company's response to Staff Data Request PR 2.03 indicates the following:

	Increase in Sales Volumes % 12/31/08 - 12/31/09	Increase in Sales Volumes % 12/31/09 - 12/31/10
Residential	8.10%	-3.9%
Commercial	5.20%	-1.0%
Industrial	11.24%	-45.0%

According to the Company, for residential customers, 2009 sales volumes were increased over 2008 partially because 2008 was a wetter and cooler year than past years. For 2010, the Company made a downward adjustment to usage of 4.1% from 2009 to reflect declining usage based upon a regression analysis of usage per customer per day. The -3.9% is a result of the 4.1% downward adjustment being offset by a small increase in customer growth.

For commercial customers, 2009 sales volumes were higher due to 2008 being a wetter and cooler year. Also, the Company budgeted 2009 before the economic downturn that resulted in lower 2008 usages. Therefore, for 2010, the Company

made a downward adjustment of 1.0% to all commercial sales to reflect lower usage experienced in 2009. This adjustment was partially offset by a small increase in customer growth.

For industrial customers, since 2009 was budgeted before the economic downturn which resulted in lower 2008 usage, the Company made an adjustment to reflect lower usage experienced in 2009. Hence, the Company made a downward adjustment of 45% which was driven by the overall decrease in Pekin industrial sales coupled with a large decrease for one large Pekin industrial customer.

Q. Do you agree with the Company's rates design proposal for the Pekin District?

A. Yes, I do. I agree with the Company's proposed one-block rate structure for residential customers for the reasons cited above. I also agree with maintaining a declining block rate structure for non-residential customers which better reflects the cost of service characteristics for that class. Lastly, I agree that the billing determinants provided by the Company for the Lincoln district are thoroughly explained and are reasonable.

Q. Do you agree with the Company's rates proposal by class for the Pekin District?

A. No, I do not. My disagreement stems from the fact that the Company is proposing charges based on its revenue requirement. My proposed rates will be based on Staff's proposed revenue requirement.

Q. Have you developed an alternative set of rates for the Pekin District?

A. No. As indicated earlier, an alternative set of rates will be presented in my rebuttal testimony that recovers the revenue requirement recommended by Staff.

Bill Impacts

Q. What do the results of the Company's analysis of the bill impacts show for the Pekin District?

A. Since the Company is basing its rates on a COSS, the percentage increases for individual charges will differ and, as a result, customer classes will not receive the same percentage increases in their bills. As shown in the table below, the Company provided actual billing data for customers who represent the 1%, 20%, 50%, 80% and 100% cumulative billing frequency by class. These comparisons reflect the annual percentage bill increases that a broad range of residential customers would see under the Company's proposed rate design.

Customer Class Cumulative Billing Frequency	% Increase Residential	% Increase Commercial	% Increase Industrial
1%	39.32%	39.32%	39.32%
20%	34.41%	36.79%	25.14%
50%	30.08%	31.05%	28.93%
80%	26.68%	28.26%	36.55%

100%	126.63%	30.43%	47.45%
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410

411

The results show a fairly even distribution of the Company's proposed rate

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increases throughout the customer classes. The rate increases for each class

413

generally reflect the Company's overall proposed increase in the revenue

414

requirement of 35.58%.

415

416

However, an exception, as evident above, is the 1% and 100% Customer Class

417

Cumulative Billing Frequency. For the 1% billing frequency customer, the

418

39.32% increase reflects an increase of the customer charge corresponding to

419

zero usage. For the 100% billing frequency customer, specifically for the

420

residential and industrial customer classes, high usage is being priced at a higher

421

rate. Even though the non-residential customers have a declining block rate

422

structure, each step is priced higher than before. Furthermore, residential

423

customers are proposed to be charged on a single-block rate structure, and,

424

therefore, are being charged a higher usage rate than before for all usage. It

425

should be noted that the residential 100% Customer Class Cumulative Billing

426

Frequency represents only about 1% of total billings.

427

428 **Q. Do you consider the above bill impacts to constitute rate shock?**

429 A. Even though the percentage increases are high, they are primarily driven by the

430

overall Company proposed revenue requirement increase. Under the

431

Company's proposed rate design, the following monthly dollar impact amounts

432

can be expected for the broad range of customers:

433

Customer Class Cumulative Billing Frequency	Monthly \$ Increase Residential	Monthly \$ Increase Commercial	Monthly \$ Increase Industrial
1%	\$5.01	\$5.01	\$5.01
20%	\$5.53	\$5.32	\$34.61
50%	\$6.29	\$6.49	\$172.78
80%	\$7.30	\$15.19	\$692.00
100%	\$199.88	\$157.34	\$22,239.74

434

435 Increases of the magnitudes that are seen in both percentage and absolute dollar
436 terms, with an exception of the highest use customers, indicate a relatively even
437 distribution of bill impacts relative to the overall percentage increase in the
438 revenue requirement.

439

440 With the exception of the 100% Customer Class Cumulative Billing Frequency –
441 Residential, and 100 % Customer Class Cumulative Billing Frequency –
442 Industrial no increase in either percentage or absolute dollar terms is significantly
443 different from the overall proposed revenue requirement increase. For residential
444 customers in the highest usage tier, a single block rate structure should provide
445 an incentive to conserve water through a usage-based price signal. Overall, the
446 effect of the changes varies depending on the level of water use, size of meter,
447 service classification and other factors.

448

449 As mentioned above, a likely area of concern is the 100% Customer Class
450 Cumulative Billing Frequency – Industrial. This class will experience a significant
451 increase in both percentage and absolute dollar terms under the proposed rates.

Therefore, I reserve the right to propose mitigation measures in my rebuttal testimony to that particular class of customers. In this testimony, I am not proposing new rates.

In addition, it should be mentioned that base water rates, the QIP surcharge, public fire charges and the municipal fees are included in the calculations of the above bill impacts. However, purchased water surcharges are not. The inclusion of purchased water surcharges would cause the above mentioned bill impacts to be lower. However, I do not yet have the required information (i.e., Company revised bill impact analysis that incorporates purchased water surcharges) to be presented in my direct testimony. My proposed rates along with the bill impacts analysis that takes into consideration all rate components including the purchased water surcharges will be presented in my rebuttal testimony.

CHICAGO METRO WATER DISTRICT

Rates and Rate Design

Q. Please explain the Company's rate design proposal for the Chicago Metro Water District.

A. The following table shows a comparison of current and proposed residential and non-residential usage charges:

Chicago Metro Lake	Non-Residential			Residential		
	Current	Company Proposed	% Increase	Current	Company Proposed	% Increase
1st block	\$2.7822	\$3.9170	41%	\$2.7822	\$3.9170	41%

2nd block	\$1.8625	\$2.7510	48%	\$1.8625	\$3.9170	110%
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Chicago Metro Well	Non-Residential			Residential		
	Current	Company Proposed	% Increase	Current	Company Proposed	% Increase
1st block	\$2.6904	\$4.0570	51%	\$2.6904	\$4.0570	51%
2nd block	\$1.7706	\$2.8910	63%	\$1.7706	\$4.0570	129%

474

Chicago Metro Moreland	Non-Residential			Residential		
	Current	Company Proposed	% Increase	Current	Company Proposed	% Increase
1st block	\$1.3107	\$1.8486	41%	\$1.3107	\$1.8686	43%
2nd block	\$0.8737	\$1.2323	41%	\$0.8737	\$1.8686	114%

475

476 As discussed earlier, the Company is proposing to maintain a declining block
 477 structure for non-residential customers and propose a single-block rate structure
 478 for residential customers. Furthermore, the Company is proposing the following
 479 for both residential and non-residential customers:

480

Size	Current	Company Proposed	% Increase
5/8"	\$9.75	\$15.25	56.41%
3/4"	\$12.91	\$20.20	56.47%
1"	\$19.23	\$30.10	56.53%
1 1/2"	\$34.77	\$54.40	56.46%
2"	\$53.73	\$84.00	56.34%
3"	\$97.98	\$153.30	56.46%
4"	\$160.14	\$250.50	56.43%
6"	\$318.17	\$497.70	56.43%
8"	\$506.76	\$792.60	56.41%

481

482 **Q. Please discuss the billing determinants for the Chicago Metro Water**
 483 **District.**

A. The Company was asked to explain the growth in future sales and billings (Columns C and E) on Schedule E-4 for Chicago Metro District (Combined) on pages 142, 143, and 145. The Company's response to Staff Data Request PR 2.03 indicates the following:

	Increase in Sales Volumes % 12/31/08 - 12/31/09	Increase in Sales Volumes % 12/31/09 - 12/31/10
Residential	10.8%	-3.9%
Commercial & Large Commercial	5.0%	-2.3%
Industrial	54.1%	-1.2%

According to the Company, for residential customers, 2009 sales volumes were increased over 2008 partially because 2008 was a wetter and cooler year than past years. For 2010, the Company made a downward adjustment to usage of 4.1% from 2009 to reflect declining usage based upon a regression analysis of usage per customer per day. The -3.9% is a result of the 4.1% downward adjustment being offset by a small increase in customer growth.

For commercial and large commercial customers, 2009 sales volumes were higher due to 2008 being a wetter and cooler year. Also, the Company budgeted 2009 before the economic downturn that resulted in lower 2008 usages.

Therefore, for 2010, the Company made a downward adjustment to all commercial sales to reflect lower usage experienced in 2009. This adjustment was partially offset by a small increase in customer growth.

503

504 For industrial customers, 2009 was budgeted before the economic downturn
505 which resulted in lower 2008 usages. Hence, the Company made a downward
506 adjustment of 1.2% to reflect declining usage.

507

508 **Q. Do you agree with the Company's rates design proposal for the Chicago**
509 **Metro Water District?**

510 A. Yes, I do. I agree with the Company's proposed one-block rate structure for
511 residential customers for the reasons cited above. I also agree with maintaining a
512 declining block rate structure for non-residential customers which better reflects
513 the cost of service characteristics for that class. Lastly, I agree that the billing
514 determinants provided by the Company for the Chicago Metro Water District are
515 thoroughly explained and are reasonable.

516

517 **Q. Do you agree with the Company's rates proposal by class for the Chicago**
518 **Metro Water District?**

519 A. No, I do not. The Company is proposing charges based on its revenue
520 requirement. My proposed rates will be based on Staff's proposed revenue
521 requirement.

522

523 **Q. Have you developed an alternative set of rates for the Chicago Metro Water**
524 **District?**

A. No. As indicated earlier, an alternative set of rates will be presented in my rebuttal testimony that will recover the revenue requirement recommended by Staff.

Bill Impacts

Q. What do the results of the Company's analysis of the bill impacts show for the Chicago Metro Water District?

A. Since the Company is basing its rates on a COSS, the percentage increases for individual charges will differ and, as a result, customer classes will not receive the same percentage increases in their bills. As shown in the table below, the Company provided actual billing data for customers who represent the 1%, 20%, 50%, 80% and 100% cumulative billing frequency by class. These comparisons reflect the annual percentage bill increases that a broad range of residential customers would see under the Company's proposed rate design.

Chicago Metro Lake Water

Customer Class Cumulative Billing Frequency	% Increase Residential	% Increase Commercial	% Increase Industrial
1%	56.41%	56.41%	56.41%
20%	31.50%	44.15%	56.41%
50%	33.03%	26.55%	56.41%
80%	26.19%	19.23%	56.41%
100%	56.41%	19.37%	56.41%

Chicago Metro Moreland Water

Customer Class Cumulative Billing Frequency	% Increase Residential	% Increase Commercial	% Increase Industrial
1%	56.41%	56.41%	56.41%
20%	43.66%	56.41%	56.41%
50%	39.48%	56.41%	56.41%
80%	41.37%	44.99%	56.41%
100%	56.41%	25.39%	56.41%

Chicago Metro Well Water

Customer Class Cumulative Billing Frequency	% Increase Residential	% Increase Commercial	% Increase Industrial
1%	56.41%	56.41%	56.41%
20%	54.66%	55.42%	56.41%
50%	53.15%	53.12%	56.41%
80%	52.55%	30.62%	56.41%
100%	51.27%	54.41%	56.41%

The results show a fairly even distribution of the Company's proposed rate increases throughout the customer classes. The rate increases for each class generally reflect the Company's overall proposed increase in the revenue requirement of 44.73%, 50.19%, and 52.89% for Chicago Lake, Chicago Moreland, and Chicago Well, respectively. It should be noted that industrial customers have zero usage at all cumulative billing frequencies.

As mentioned earlier, heavy usage is being priced at a higher rate. Even though the non-residential customers have a declining block rate structure, each step is priced relatively higher than before. Furthermore, residential customers are on a single-block rate structure, and therefore are being charged a higher usage rate than before at the same usage level.

Q. Do consider the above bill impacts to constitute rate shock?

A. Generally, no. Even though the percentage increases are high, they are primarily driven by the overall Company proposed revenue requirement increase. Under the Company's proposed rate design, the following monthly dollar impact amounts can be expected for the broad range of customers:

Chicago Metro Lake Water

Customer Class Cumulative Billing Frequency	Monthly \$ Increase Residential	Monthly \$ Increase Commercial	Monthly \$ Increase Industrial
1%	\$5.50	\$5.50	\$5.50
20%	\$8.90	\$8.42	\$5.50
50%	\$16.54	\$12.03	\$5.50
80%	\$16.49	\$52.15	\$5.50
100%	\$5.50	\$1,009.08	\$5.50

Chicago Metro Moreland Water

Customer Class Cumulative Billing Frequency	Monthly \$ Increase Residential	Monthly \$ Increase Commercial	Monthly \$ Increase Industrial
1%	\$5.50	\$5.50	\$5.50
20%	\$7.11	\$5.50	\$5.50
50%	\$8.25	\$5.50	\$5.50
80%	\$15.17	\$35.77	\$92.35
100%	\$5.50	\$19.45	\$184.96

Chicago Metro Well Water

Customer Class Cumulative Billing Frequency	Monthly \$ Increase Residential	Monthly \$ Increase Commercial	Monthly \$ Increase Industrial
1%	\$5.50	\$5.50	\$5.50
20%	\$15.58	\$6.56	\$5.50
50%	\$12.33	\$12.48	\$5.50
80%	\$16.43	\$23.36	\$5.50
100%	\$212.62	\$5.50	\$5.50

Increases of the magnitudes that are seen in both percentage and absolute dollar terms indicate a relatively even distribution of bill impacts relative to the overall percentage increase in the revenue requirement.

Although, in general, no increase in percentage terms is significantly different from the overall proposed revenue requirement percentage increase, the 100% Customer Class Cumulative Billing Frequency – Residential (Well Water), and 100 % Customer Class Cumulative Billing Frequency – Commercial (Lake Water) may nevertheless experience sizeable monthly dollar impacts though their overall percentage increases may be in line with the proposed revenue requirement percentage increase.

For residential customers in the highest usage tier, a single block rate structure should provide an incentive to conserve water through a usage-based price signal. Overall, the effect of the changes varies depending on the level of water use, size of meter, service classification and other factors.

Therefore, I reserve the right to propose mitigation measures for the 100% customer class cumulative billing frequency discussed above in my rebuttal testimony. In this testimony, I am not proposing new rates.

In addition, it should be mentioned that base water rates, the QIP surcharge, public fire charges and the municipal fees are included in the calculations of the above bill impacts. However, purchased water surcharges are not. The inclusion of purchased water surcharges would cause the above mentioned bill impacts to be lower. However, I do not yet have the required information (i.e., Company revised bill impact analysis that incorporates purchased water surcharges) to be presented in my direct testimony. My proposed rates along with the bill impacts analysis that takes into consideration all rate components including the purchased water surcharges will be presented in my rebuttal testimony.

Q. Are there any other issues to discuss?

A. Yes, there are. Looking at the above data, specifically for Chicago Metro Lake Water (Residential 100%), Chicago Metro Moreland Water (Residential 100%), and Chicago Metro Well Water (Commercial 100%), it appears that the bill impact analysis contains some data input errors. The above mentioned bill frequency analyses indicate a 5.50\$ increase in their monthly bills, which is irrational. While the 1%, 20%, 50% and 80% bill frequency analyses show usage,

at the 100% level, no usage is shown. However, a 100% bill frequency constitutes a high usage customer. Therefore, no usage appears to be an error. Therefore, I will present the corrected bill impact analysis in my rebuttal testimony which will reflect the corrected usage patterns.

CHICAGO METRO SEWER DISTRICT

Rates and Rate Design

Q. Please explain Company's rate proposal for the Chicago Metro Sewer District.

A. Referring to the COSS (IAWC Ex. 9.01, Schedule A-CMWW, CMWW-1), the cost of service for Collection and Treatment service is \$9,401,707, whereas the Company is currently recovering only \$4,257,096 at the present rates, or 39.0% recovery of cost of service. The Company is proposing a 63.5% increase in rates for Collection and Treatment service customers that would produce revenues of \$6,960,087, or a 50.5% recovery of cost of service. The Company is proposing a single block rate structure for residential customers and a two-block rate structure for non-residential customers. Furthermore, the Company is proposing to leave the rates for Collection Only customers unchanged. The following table shows a comparison of current and proposed residential and non-residential general sanitary charges:

Customer Charges COLLECTION AND	Non-Residential			Residential		
	Current	Company Proposed	% Increase	Current	Company Proposed	% Increase

TREATMENT						
Base	\$16.42	\$37.00	125.33%	\$26.07	\$42.04	61.26%
Multi Unit				\$20.86	\$33.63	61.22%

Consumption Charges	Residential		
COLLECTION AND TREATMENT	Current	Company Proposed	% Increase
First 1.33 ccf	\$0.0000	\$0.0000	0%
Next 9.33 ccf	\$2.8418	\$3.7880	33%
Over 10.66 ccf	\$1.4483	\$3.7880	162%
	Non-Residential		
	Current	Company Proposed	% Increase
First 26.67 ccf	\$2.3415	\$3.7880	62%
Over 26.67 ccf	\$1.4225	\$3.4090	140%

Q. Does the Company propose any changes for Collection Only customers?

A. No. As mentioned earlier, Collection Only customers are already contributing revenues in excess of their costs, therefore, no change is being proposed to this class of customers.

Q. Please discuss the billing determinants for the Chicago Metro Sewer District.

A. The Company was asked to explain the zero growth in future sales and billings (Column E) on Schedule E-4 for the Chicago Metro Sewer District on pages 226-229. Company witness Kerckhove stated that:

Between December 2007 and December 2008, the number of waste water customers declined by 0.11%. In addition, the Company experienced a decline in the average water usage per customer in that time period that is reflected in the test year for water sales (per capita sales volume). The Company therefore projects that there will be zero growth in

waste water sales and billings in the test year. By reflecting zero growth in future waste water billings, the Company has taken a conservative view of customer growth for waste water sales and billings.

(IAWC Response to Staff Data Request PR 2.04)

Q. Do you agree with the Company's rates design proposal for Chicago Metro Sewer District?

A. Yes, I do. I agree with the Company's proposed one-block rate structure for residential customers for the reasons cited above. I also agree with maintaining a declining two-block rate structure for non-residential customers which better reflects the cost of service characteristics for that class. Finally, I agree that the billing determinants provided by the Company for the Chicago Metro Sewer District are thoroughly explained and are reasonable.

Q. Do you agree with the Company's rate proposal for the Chicago Metro Sewer District?

A. No, I do not. The Company is proposing charges based on its revenue requirement. My proposed rates will be based on Staff's proposed revenue requirement.

Q. Have you developed an alternative set of rates for the Chicago Metro Sewer District?

A. No. As indicated earlier, an alternative set of rates will be presented in my rebuttal testimony and these rates will recover Staff's proposed revenue requirement.

Bill Impacts

Q. What do the results of the Company's analysis of the bill impacts show for the Chicago Metro Sewer District?

A. Since the Company is basing its rates on a COSS, the percentage increases for individual charges will differ and, as a result, customer classes will not receive the same percentage increases in their bills. As shown in the table below, the Company provided actual billing data for customers who represent the 1%, 20%, 50%, 80% and 100% cumulative billing frequency by class. These comparisons reflect the annual percentage bill increases that a broad range of residential customers would see under the Company's proposed rate design.

Chicago Metro Collection and Treatment

Customer Class Cumulative Billing Frequency	% Increase Residential	% Increase Multi Unit Resd'l.	% Increase Commercial	% Increase Industrial
1%	59.96%	59.62%	125.33%	125.33%
20%	54.91%	54.16%	117.40%	125.33%
50%	82.66%	84.22%	93.33%	125.33%
80%	98.07%	100.20%	90.18%	125.33%
100%	109.04%	111.31%	130.07%	125.33%

The results show a fairly even distribution of the Company's proposed rate increases throughout the customer classes. However, the rate increases for

each class does not reflect the Company's overall proposed increase in the revenue requirement of 24.29%.

The 1% billing frequency customer reflects an increase of the customer charge corresponding to zero usage. For the other billing frequency customers, high usage is being priced at a higher rate. Even though the non-residential customers have a declining block structure, each step is priced higher than before. The 125% increase shown for the Industrial customers reflects an increase in customer charges from \$16.42 to \$37.00, corresponding to zero usage. (According to the Company, there are no Waste Water Industrial customers.) Furthermore, residential customers are proposed to be charged on a single-block rate structure, and, therefore, are being charged a higher usage rate than before for all usage. It should be noted that the residential 100% Customer Class Cumulative Billing Frequency represents only about 1% of total billings.

Q. Do consider the above bill impacts to constitute rate shock?

A. To some extent, yes. However, even though the percentage increases are high, they are primarily driven by the overall Company proposed revenue requirement increase. Under the Company's proposed rate design, the following monthly dollar impact amounts can be expected for the broad range of customers:

Customer Class Cumulative Billing Frequency	Monthly \$ Increase Residential	Monthly \$ Increase Multi Unit Resd'l.	Monthly \$ Increase Commercial	Monthly \$ Increase Industrial
1%	\$16.39	\$13.19	\$20.58	\$20.58
20%	\$27.44	\$24.24	\$22.03	\$20.58
50%	\$63.03	\$59.83	\$30.87	\$20.58
80%	\$92.92	\$89.72	\$92.92	\$20.58
100%	\$124.90	\$121.70	\$691.69	\$20.58

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Bill impact analysis shows that, relative to usage, high volume users will see a

717

noticeable impact on their bills. As pointed out by Company Witness Herbert:

718

The cost allocation results show that under the allowed rates in the last case, the Collection Only customers are contributing revenue in excess of their costs and the Collection and Treatment Only customers are contributing revenues far less than their costs...For Collection and Treatment customers, the proposed rates begin to move toward the cost for providing such service and also include a fixed charge, a single-block consumption charge for residential and a two-block consumption charge for non-residential.

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(IAWC Ex. 9.00, pp. 22-23)

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As discussed earlier, the cost of service for Collection and Treatment service is

732

\$9,401,707, whereas the Company currently is recovering only \$4,257,096 at the

733

present rates, or 39.0% recovery of cost of service. (IAWC Ex. 9.01, Schedule

734

A-CMWW, CMWW-1.) Therefore, in order to align revenues closer to costs, an

735

increase in sewer rates is necessary, and in some cases, as bill impact analysis

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shows, produces significant increases for high volume users. Overall, the effect

737

of the changes varies depending on the level of water use, size of meter, service

738

classification and other factors.

739

740 Therefore, I reserve the right to propose mitigation measures for the 50% through
741 100% customer class cumulative billing frequency in my rebuttal testimony. In
742 this testimony, I am not proposing new rates.

743

744 Lastly, as indicated in earlier sections, my proposed rates along with the bill
745 impacts analysis that takes into consideration all rate components including the
746 purchased water surcharges will be presented in my rebuttal testimony.

747

748 **FIRE PROTECTION CHARGES**

749

750 **Q. Please describe your analysis of public fire protection charges for the**
751 **Lincoln, Pekin, and Chicago Metro Water District tariff groups.**

752 **A.** Referring to the Company's proposed COSS for Lincoln (IAWC Ex. 9.01,
753 Schedule A-LIN, LIN-1), the cost of service for Public Fire Service is \$400,076,
754 whereas the Company is currently recovering only \$225,865 at present rates, or
755 57% recovery of the cost of service. The Company is proposing a 35.5%
756 increase in rates for Lincoln Public Fire Service customers that would produce
757 revenues of \$305,977, or a 77% recovery of cost of service.

758

759 Referring to the Company's proposed COSS for Pekin (IAWC Ex. 9.01, Schedule
760 A-PEK, PEK-1), the cost of service for Public Fire Service is \$852,710, whereas
761 the Company is currently recovering only \$645,730 at present rates, or 76%

recovery of the cost of service. The Company is proposing a 32.2% increase in rates for Pekin Public Fire Service customers that would produce revenues of \$853,690, or a 100% recovery of cost of service.

Referring to the Company's proposed COSS for the Chicago Metro Water District (IAWC Ex. 9.01, Schedule A-CMW, CMW-1), the cost of service for Public Fire Service is \$6,228,393, whereas the Company is currently recovering only \$2,375,579 at the present rates, or 39% recovery of cost of service. The Company is proposing a 75.0% increase in rates for Chicago Metro Water District Public Fire Service customers that would produce revenues of \$4,157,263, or a 67% recovery of cost of service.

Q. What is your recommendation regarding the Company's proposed increase in Public Fire Service rates?

A. I recommend approval of the Company's request to increase public fire protection charges in order to align revenues closer to costs associated with providing fire protection service for each district. Such rationale is consistent with Section 9-223(a) of the Public Utilities Act ("Act") which states in relevant part:

Any fire protection charge imposed shall reflect the costs associated with providing fire protection service for each municipality or fire protection district.

Pending any revisions to the Company's COSS that might occur based on Staff witness Lazare's testimony, the Company's COSS indicates that existing public fire protection charges are lower than the cost of service. Based on that

information, I find it reasonable to recommend Lincoln's and Pekin's public fire protection revenues be increased in order to align them closer to cost of service. Furthermore, although a 75% increase in the public fire protection charge for Chicago Metro Water is greater than the Company's proposed overall increase in revenue requirement for the Chicago Metro Water District, in his direct testimony, Company witness Herbert states that:

For the Chicago Metro – Water District, I recommend increasing the uniform public fire charge by 75% per month. The 75% increase represents less than half of the updated cost of service for this rate area as shown in IAWC Exhibit 9.01. IAWC Exhibit 9.10, page 3, shows a comparison of the calculated rate per customer per month based on the number of hydrants and customers within each municipality. The comparison shows that the proposed uniform public fire charge of \$7.86 per month in Chicago Metro recovers a reasonable portion of the cost based on the calculated rate.

(IAWC Ex. 9.00, p. 22)

Q. Please describe your analysis of private fire protection charges for the Lincoln, Pekin, and Chicago Metro tariff groups.

A. Referring to the Company's proposed COSS for Lincoln (IAWC Ex. 9.01, Schedule A-LIN, LIN-1), the cost of service for private fire service is \$41,107, whereas the Company is currently recovering only \$21,423 at present rates, or 57% recovery of cost of service. The Company is proposing a 44.7% increase in rates for Lincoln private fire service customers that would produce revenues of \$31,008, or a 76% recovery of cost of service.

Referring to the Company's proposed COSS for Pekin (IAWC Ex. 9.01, Schedule A-PEK, PEK-1), the cost of service for private fire service is \$95,403, whereas the Company is currently recovering only \$75,432 at present rates, or 79% recovery of cost of service. The Company is proposing a 26.5% increase in rates for Pekin private fire service customers that would produce revenues of \$95,385, or a 100% recovery of cost of service.

Referring to the Company's proposed COSS for the Chicago Metro Water District (IAWC Ex. 9.01, Schedule A-CMW, CMW-1), the cost of service for private fire service is \$654,339, whereas the Company is currently recovering \$902,420 at present rates, or 138% recovery of cost of service. The Company is not proposing an increase in rates for Chicago Metro Water District. Private fire rates for Chicago Metro were left unchanged.

Q. What is your recommendation regarding Company's proposed increase in the Private Fire Service rates?

A. I recommend approving IAWC's request to increase private fire protection charges in order to align revenues closer to costs associated with providing fire protection service for each district. As stated earlier, such rationale is consistent with Section 9-223(a) of the Act.

Furthermore, I agree with the Company's proposal that the private fire service rates for Chicago Metro should be unchanged. Obviously, an increase in rates is

not warranted. However, I believe that the rates should not be decreased, either, because, significant increases are being proposed in other charges that could have a major impact on the levels of other districts' bills. If private fire rates were to be decreased in this case, that would require even greater increases in other charges and thereby create even more adverse bill impacts for certain customers. To reduce this potential problem I support maintaining private fire protection rates at current levels.

MISCELLANEOUS CHARGES

Q. Is the Company making a proposal regarding its fee for service reconnections after business hours?

A. Yes. In the Commission's Order in Docket No. 07-0507, IAWC was ordered to submit a report regarding after-hours reconnections by district. The Company has prepared a report (see IAWC Ex. 5.05) which shows the after-hours reconnections by district and the fees charged. In his direct testimony, Company witness Grubb states that:

In Docket 08-0463, IAWC conducted a cost analysis to determine the appropriate level of the after-hours reconnection fee. That analysis showed that the cost of after-hours reconnections in the various areas is affected by such factors as the applicable union contract work rules (e.g., 3 hours minimum for a call-out in Chicago Metro and 2 hours in other areas) and the average travel distance required for a call-out due (2 miles for Champaign as compared to 4.5 miles for Chicago Metro or 7 miles for Peoria). IAWC has now updated this cost analysis to reflect test year level of expenses as shown on IAWC Exhibit 5.06.

(IAWC Ex. 5.00, p. 28)

866

867 **Q. Why did the Company not conduct a cost analysis to determine the**
868 **appropriate level of the after-hours reconnection fee in previous years?**

869 A. In response to Staff Data Request PR 2.08 (a), Company witness Grubb replied:

870 The Company's presently effective tariffs require that the Service
871 Reconnection Charge be the 'the actual cost incurred by the
872 Company'. In 2008, the Company conducted an analysis of its
873 actual costs to perform after-hours reconnections in each district
874 and set the amount of the Service Reconnection Charge
875 accordingly (See IAWC Exhibit 1.3 filed in Docket 08-0463 on
876 January 30, 2009). IAWC has now updated this cost analysis to
877 reflect test year level of expenses, as shown on IAWC Exhibit 5.06.
878 In the current case, as discussed by Mr. Grubb (IAWC Exhibit 5.00,
879 pp. 27-28), the Company is proposing a uniform Service
880 Reconnection Charge. The Company believes that a change to a
881 uniform charge is appropriate in light of the emphasis on uniform
882 charges in Docket 07- 0507. This uniform charge approach is
883 similar to that used for other miscellaneous fees that the Company
884 has in its tariffs.
885

886 **Q. Prior to 2009, how was IAWC assessing reconnection charges?**

887 A. In response to Staff Data Request PR 2.08 (b-1), Company witness Grubb
888 replied that, "Prior to 2009, the Company was charging a service connection fee
889 based on the Company's actual costs to perform after-hours reconnections."
890 Furthermore, the Company's average reconnection charge for 2007 and 2008
891 was \$93.67 and \$95.14, respectively.

892

893 **Q. What fee does the Company propose with regard to after-hours**
894 **reconnections?**

895 A. Based on the updated cost analysis as shown on IAWC Ex. 5.06, IAWC is
896 proposing a uniform charge of \$138 per after-hours reconnection for all rate

897 areas which represents the average cost of an after-hours reconnection for all
898 rate areas.

899

900 **Q. Do you believe that there are benefits to uniform charges for IAWC?**

901 A. Yes, I do. Uniformity benefits customers, the Company and the Commission.
902 Charges that are more easily understood benefit customers. When Company
903 charges, practices and policies are uniform, efficiency in operations result where
904 employees can better and quicker respond to customer needs. This view is
905 shared by the Commission which stated in the last IAWC rate case order, "The
906 Commission considers efforts to make IAWC's tariffs more uniform and
907 consistent appropriate. Uniformity and consistency among IAWC's tariffs will
908 facilitate customer understanding of tariffs, the delivery of customer service, and
909 the Commission oversight of IAWC." (Order, Docket No. 07-0507, July 30, 2008,
910 p. 98)

911

912 **Q. What is your recommendation regarding the Company's proposal to set the**
913 **after-hours reconnection charge at \$138?**

914 A. I recommend that a uniform after-hours reconnection charge be set at \$138. I
915 believe that the Company sufficiently demonstrated that such an updated fee is
916 reasonable for the reasons stated earlier.

917

918 **Q. Is the Company making a proposal regarding its \$25 Home Inspection Fee?**

919 A. Yes. In Direct Testimony, Company witness Grubb stated that, "Based on the
920 review, IAWC has determined that customers are not requesting home
921 inspections. No home inspections were conducted over the past three years.
922 IAWC is therefore proposing that the home inspection fee be eliminated for all
923 rate areas." (IAWC Ex. 5.00, p. 28)

924

925 **Q. Do you agree with the Company's proposal to eliminate the home**
926 **inspection fee?**

927 **A.** Yes, I do. Based on the information provided by Company witness Grubb, it is
928 reasonable to eliminate such a fee if no customers are using the service.

929

930 **Q. What is your recommendation regarding the Company's proposal**
931 **regarding its \$25 Home Inspection Fee?**

932 **A.** I recommend that the \$25 home inspection fee be eliminated for all districts. I
933 believe that the Company demonstrated that eliminating the fee is reasonable for
934 the reasons stated.

935

936 **LANGUAGE CHANGES**

937

938 **Q. Are there any language changes that the Company is proposing for its**
939 **water tariffs?**

940 **A.** Yes. The Company proposes a range of language changes as follows:

Location	Proposed Language Changes
Sixth Revised Sheet No. 37	"per 1,000 gallons" is deleted from

	under the first column "category" and moved to the 2 nd and 3 rd columns.
Fifth Revised Sheet No. 38	"per 1,000 gallons" is deleted from under the first column "category" and moved to the 2 nd column.
Fourth Revised Sheet No. 40	Under "Customer Charge", the word "not" is deleted.
Fifth Revised Sheet No. 47 Twenty-sixth Revised Sheet No. 19 Twentieth Revised Sheet No. 14 Twenty-eight Revised Sheet No. 11 5 th Revised Sheet No. 1.2 Ninth Revised Sheet No. 13	Under "Reconnection Charges", \$138 is added instead of the phrase "the actual cost incurred by the Company".
Third Revised Sheet No. 59 Thirty-fifth Revised Sheet No. 8	Under "Usage Charges", for residential customers a one-block usage rate is set, and for all other customers, declining-blocks are added or modified.
Third Revised Sheet No. 77	Under "Reconnection of Service", \$138 is added instead of the phrase "the actual cost incurred by the Company".
Sixteenth Revised Sheet No. 2.7	<p>The following changes are proposed:</p> <p style="text-align: center;">ADDITIONAL BIMONTHLY CUSTOMER CHARGE FOR MUNICIPAL FRANCHISE FEES</p> <p>Pursuant to the Commission Order in Docket No. 89-0176, there shall be added to the bills of each customer residing within the particular City or Village a bimonthly charge for recovery of the municipal franchise fees paid by the Company to the respective City or Village.</p>
Fifteenth Revised Sheet No. 1	<p>The following two changes are proposed:</p> <p>1)</p> <p><u>Available For</u> Residential, Commercial, Industrial and Public Service in the areas indicated, except where service is provided under the terms and conditions of agreements approved by</p>

	the Commission. 2) Under "Usage Charges", for residential customers a one-block usage rate is set, and for non-residential customers, declining-blocks are modified
Sixth Revised Sheet No. 1.6	1) Under "Charges for Water Used", usage blocks are set for residential customers and non-residential customers. 2) Under "Basic Service Charge", the Company deleted the phrase Bi Monthly.
Fifth Revised Sheet No. 3.1	The section "Bi Monthly Rates" is deleted.

941

942 **Q. Do you recommend approval of the proposed language changes?**

943 A. Yes, I do. The Company's proposed language changes add clarity and
944 consistency across the tariff sheets.

945

946 **Q. Do you have any other issues to discuss?**

947 A. Yes. I would like to address a proposal by the Company. The Company is
948 proposing to include on its Tenth Revised Sheet No. 37 the rates and references
949 to Tinley Park Wholesale and Tinley Park Westbury and its associated areas.
950 Rates in those areas are set according to an agreement between the Village of
951 Tinley Park and IAWC. (IAWC Ex. 9.00, p. 23) In response to Staff Data
952 Request PR 2.06, Mr. Herbert indicated that the initial agreement was between
953 Tinley Park and Citizens Utility Company of Illinois, dated January 25, 1994 and
954 assumed by IAWC when it acquired Citizens Utility Company, and amended on
955 August 5, 2008.

956 This agreement is considered wholesale service, which is not regulated by the
957 Commission. Therefore, matters related to this agreement should not be included
958 on tariff sheets that are regulated and approved by the Commission and I
959 recommend that the Company's proposed language be rejected.

960

961 **Q. Does this conclude your prepared direct testimony?**

962 A. Yes, it does.

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